

Message Text

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ACTION EB-03

INFO OCT-01 EA-06 ISO-00 L-01 H-03 INR-05 IGA-01 SS-15

RSC-01 PRS-01 SSO-00 INRE-00 NSCE-00 NSC-01 /038 W

----- 034267

O 150948Z JAN 75

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC IMMEDIATE 9821

UNCLAS BANGKOK 0761

E.O. 11652: N/A

TAGS: EFIN, TH

SUBJ: SIAM KRAFT PAPER CO.

LIMDIS

REF: BANGKOK 0697

1. STRATTON OF SKPC REQUESTS FOLLOWING MESSAGE BE TRANSMITTED
EXIM AND OPIC ON URGENT BASIS:

2. QUOTE: FURTHER TO OUR CABLE REQUESTING MEETING IN BANGKOK
AND YOUR CABLE OF 14TH JANUARY: DUE TO LOWER SALES VOLUME AND
LOCAL COMPETITION AS WELL AS INABILITY TO EXPORT TO NEIGHBORING
COUNTRIES AS RESULT OF THEIR DEPRESSED ECONOMIES AND JAPANESE
DUMPING, SALES FOR 1ST HALF OF YEAR WERE 7.5 MILLION DOLLARS
BELOW BUDGET CAUSING CASH SHORTAGE OF 9 MILLION DOLLARS. FURTHER
CASH DEFICIT OF ADDITIONAL ONE MILLION EXPECTED DURING NEXT SIX
MONTHS. SKPC'S REQUIREMENTS NOW EXTREMELY CRITICAL AS LOCAL
CREDITORS PUSHING FOR PAYMENT OF APPROX. 2.5 MILLION DOLLARS
IN OVERDUE OBLIGATIONS AND BANKS UNWILLING OPEN ADDITIONAL LETTERS
OF CREDIT OF 2.5 MILLION DOLLARS FOR BADLY NEEDED SPARE PARTS AND
RAW MATERIALS.

3. IN ORDER TO AVOID SUSPENSION OF OPERATIONS AND POSSIBLE
INTERVENTION OF COURTS ADDITIONAL FUNDS OF 7.5 MILLION DOLLARS WILL
BE NEEDED IMMEDIATELY WHICH CAN ONLY BE OBTAINED IF EXISTING
CREDIORS INCLUDING EXIM AND OPIC AGREE TO SUBORDINATE THEIR
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LOANS TO THE NEW LENDERS. FURTHER REQUIREMENTS FOR VIABLE

OPERATIONS BEYOND JUNE 75 INDICATES NEEDS FOR ALL CREDITORS WAIVE
INTEREST CHARGES AMOUNTING TO 1.8 MILLION DOLLARS PER YEAR
FOLLOWING COMPLETE FINANCIAL REORGANIZATION.

4. OUR SUGGESTED COURSE OF ACTION IN ORDER TO AVOID IMMEDIATE
COLLAPSE WOULD BE:

A. YOU CABLE THROUGH THE U.S. EMBASSY YOUR AGREEMENT TO
SUBORDINATION OF YOUR LOAN TO THE NEW 7.5 MILLION DOLLARS LOAN.

B. IF YOU ARE UNABLE TO MEET WITH US HERE IN BANGKOK
REPRESENTATIVE OF SKPC AND MAJOR THAI CREDITOR AND STOCKHOLDERS
CAN TRAVEL TO WASHINGTON BY WEEKEND.

C. REQUEST YOUR APPROVAL PAY DEBENTURE INTEREST OF \$75,000
DUE TODAY IN ORDER AVOID UNFAVORABLE PUBLICITY AND ALLOW TIME
FOR ORGANIZATIONAL DECISIONS.

5. MAJOR STOCKHOLDERS AND CREDITORS ATTITUDE COOPERATIVE AND
WILLING TO FOLLOW EXIMBANK LEAD BUT BELIEVE MATTER SHOULD BE
TREATED EXPEDITIOUSLY IN ORDER MAINTAIN PUBLIC CONFIDENCE.

6. STRATTON WILL CALL NIELSON OF OPIC AT 10 A.M. JAN. 15
WASHINGTON TIME. END QUOTE.
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